



Future General Fund Revenue Impact of Enacted Legislation

ISSUE

This *Issue Review* presents the most recent Legislative Services Agency estimates of the future direct General Fund revenue impact of previously enacted legislation.

BACKGROUND AND METHODOLOGY

The General Assembly may enact legislation during a legislative session that is projected to increase or decrease General Fund revenue in future years.

The Legislative Services Agency reviewed previous estimates for legislative changes with a projected fiscal impact on General Fund revenue over the next ten fiscal years (FY 2009 through FY 2018). In certain instances, updated estimates were available and those estimates are reported here. To be included in this *Issue Review*, a statutory change must have an estimated fiscal impact of at least \$0.5 million in one fiscal year and/or \$1.0 million over five fiscal years. Legislative changes that have the same future year estimated impacts as the impact estimated for FY 2008 are not included.

Once a statutory change is fully implemented, minor subsequent year-to-year differences due to inflation, population, or income growth assumptions are ignored in the interest of simplicity. For this reason, once a particular statutory change reaches full implementation it remains at that level unless the statutory change sunsets.

For Internal Revenue Code (IRC) Update acts, only the impacts of Iowa legislative changes are included in this analysis. The associated federal deductibility impact is not included, as that impact is the result of federal law changes impacting Iowa tax revenue through Iowa's allowance of deductions for federal taxes paid when computing State income tax.

Attachment A presents the impact of legislative changes on the projected revenue for each fiscal year. The estimates present the revenue reduction compared to revenue projections without the statutory change.

Attachment B presents the information as incremental changes. That is, the estimated impact of the legislative change in one year compared to the estimated impact for the previous year.

BUDGET IMPACT

Two significant revenue changes enacted during the 2008 Session were the public smoking ban (reduced revenue due to reduced cigarette consumption) and increased judicial system debt collection activities. Due to implementation timeline issues, the projected FY 2009 revenue associated with enhanced judicial debt collections has been reduced significantly from estimates used during the 2008 Session.

Beginning with FY 2010, the phase-out of Social Security taxation, the implementation of a senior filing threshold, and a sales tax exemption for new web-portal businesses produce net revenue reductions in subsequent years. The web-portal exemption is projected to expire after FY 2012 and the Social Security and filing threshold changes reach full implementation in FY 2015.

The following table presents a summary of the legislative changes outlined in **Attachment B**, with comparisons to incremental changes calculated for the **Issue Review** published after the 2007 session. The table shows the sum of incremental changes for FY 2009 through FY 2017 is a decrease of \$207.4 million, an additional decrease of \$16.4 million compared to the 2007 estimate for those same years. Changes to pre-2008 estimates increased the incremental impacts by a total of \$10.4 million, while changes enacted during the 2008 Session are estimated to reduce revenues over this period by a net \$6.0 million.

Estimated Future Impact of Previously Enacted Legislation State General Fund Only - In Millions of Dollars				
	2007 Incremental Estimate	2008 Legislation Estimates	Changes, Additions, and Deletions to Pre-2008 Estimates	2008 Incremental Estimate
FY 2009	\$ -33.1	\$ -6.4	\$ -7.9	\$ -47.4
FY 2010	-42.5	15.7	-2.6	-29.4
FY 2011	-48.2	-0.4	-1.0	-49.6
FY 2012	-22.2	-18.0	1.7	-38.5
FY 2013	7.2	2.0	1.2	10.4
FY 2014	-17.6	1.9	-0.5	-16.2
FY 2015	-27.4	-0.2	-0.5	-28.1
FY 2016	-0.5	-0.3	-0.4	-1.2
FY 2017	-6.7	-0.3	-0.4	-7.4
	<u>\$ -191.0</u>	<u>\$ -6.0</u>	<u>\$ -10.4</u>	<u>\$ -207.4</u>

Legislative changes projected to reach full impact in FY 2008 or before are not included in this **Issue Review**. Significant examples include the Iowa Values Act tax incentives, the insurance premium tax rate reduction, and the cigarette and tobacco tax rate increases.

This **Issue Review** is based on original Fiscal Note estimates of enacted revenue legislation, with modified estimates when new information is available. The estimates are utilized as part of the background information provided to the Revenue Estimating Conference.

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Attachment A

General Fund Future Impact of Enacted Law Changes

Impact on General Fund Revenue Each Year Compared to the Level of Revenue Without the Law Change

Session	Act	Provision	FY 2008 Base	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
2008	SF 2432	Real Estate Transfer Tax Shift	\$ 0	\$ 0	\$ -930,000	\$ -1,900,000	\$ -2,800,000	\$ -3,000,000	\$ -3,000,000	\$ -3,000,000	\$ -3,000,000	\$ -3,000,000	\$ -3,000,000
2008	SF 2420	Time-21 Vehicle Fee Deduction	0	0	0	-1,000,000	-2,000,000	-2,700,000	-2,700,000	-2,700,000	-2,700,000	-2,700,000	-2,700,000
2008	SF 2405	Wind Energy Expansion	0	0	3,519,000	670,000	-253,000	-3,678,000	-1,787,000	-2,035,000	-2,293,000	-2,559,000	-2,835,000
2008	HF 2700	Wage-Benefit Tax Credit	0	0	0	0	0	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
2008	HF 2700	Conservation Tax Credits	0	-300,000	-500,000	-800,000	-1,100,000	-1,400,000	-1,400,000	-1,400,000	-1,400,000	-1,400,000	-1,400,000
2008	HF 2689	Renewable Fuels Credit	0	-105,000	-137,000	-238,000	-282,000	0	0	0	0	0	0
2008	HF 2687	Redevelopment Tax Credit	0	0	-300,000	-400,000	-300,000	0	0	0	0	0	0
2008	HF 2555	Insurance Division Fees	0	260,000	560,000	560,000	560,000	560,000	560,000	560,000	560,000	560,000	560,000
2008	HF 2195	Enterprise Zone Prison Population	0	0	-129,000	-167,000	-206,000	-244,000	-244,000	-244,000	-244,000	-244,000	-244,000
2008	SF 2428	Debt Collections	0	5,300,000	22,453,000	22,453,000	7,253,000	7,253,000	7,253,000	7,253,000	7,253,000	7,253,000	7,253,000
2008	HF 2212	Smoke Ban-Other Impacts	0	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
2008	HF 2212	Smoke Ban-Cig/Sales Tax	0	-10,510,000	-10,510,000	-10,510,000	-10,510,000	-10,510,000	-10,510,000	-10,510,000	-10,510,000	-10,510,000	-10,510,000
2008	SF 2123	IRC Update Fiscal Impact	-600,000	-2,800,000	-5,100,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000
2008	HF 2233	Microsoft Tax Exemption	0	-600,000	-2,000,000	-2,400,000	-2,100,000						
2007	SF 566	Historic Preservation Expansion	-300,000	-2,100,000	-9,500,000	-15,100,000	-13,600,000	-13,600,000	-13,600,000	-13,600,000	-13,600,000	-17,600,000	-17,600,000
2007	SF 580	Tax Amnesty	16,000,000	0	0	0	0	0	0	0	0	0	0
2007	SF 593	Court Costs	257,000	486,000	486,000	486,000	486,000	486,000	486,000	486,000	486,000	486,000	486,000
2007	SF 601	Private School Tuition Credit Expansion	0	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000
2007	SF 601	UST Fund Transfer	3,000,000	0	0	0	0	0	0	0	0	0	0
2007	SF 601	Wage-Benefit Tax Credit	-10,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000
2007	HF 319	2007 IRC Update Fiscal Impact	-13,100,000	-6,900,000	0	0	0	0	0	0	0	0	0
2007	HF 648	Enterprise Zones, Significant Layoffs	0	-1,200,000	-2,900,000	-5,100,000	-7,700,000	-9,100,000	-10,000,000	-10,500,000	-10,500,000	-10,500,000	-10,500,000
2007	HF 892	Film Promotion	-500,000	-4,255,000	-5,871,000	-5,967,000	-6,085,000	-6,085,000	-6,085,000	-6,085,000	-6,085,000	-6,085,000	-6,085,000
2007	HF 912	Web Portal Sales Tax	0	-3,600,000	-12,700,000	-22,000,000	-31,300,000	0	0	0	0	0	0
2007	HF 912	Web Portal Sales Tax	0	-270,000	-603,000	-683,000	0	0	0	0	0	0	0
2006	SF 2147	Enterprise Zones, Location Projects	-960,000	-1,500,000	-1,500,000	-590,000	0	0	0	0	0	0	0
2006	SF 2183	Enterprise Zones, Distribution Centers	-17,500,000	-21,600,000	-25,800,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000
2006	SF 2268	Farm Asset Tax Credit	-518,000	-864,000	-1,732,000	-1,958,000	-2,802,000	-2,802,000	-2,802,000	-2,802,000	-2,802,000	-2,802,000	-2,802,000
2006	SF 2390	Telecommunications Sales Tax	-360,000	-725,000	-1,205,000	-1,755,000	-2,385,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000
2006	SF 2408	Social Security & Senior Filing Threshold	-33,377,000	-36,965,000	-58,453,000	-73,384,000	-89,940,000	-108,677,000	-132,506,000	-156,160,000	-156,160,000	-156,160,000	-156,160,000
2006	SF 2399	Small Wind Energy Expansion	0	-2,900,000	-4,500,000	-5,500,000	-5,600,000	-5,600,000	-5,600,000	-5,600,000	-5,500,000	-5,500,000	-5,500,000
2006	HF 2731	Pilot Project Tax Credit	-1,206,000	-1,910,000	-2,690,000	-2,771,000	-2,854,000						
2006	HF 2754	Renewable Fuel Incentives	-580,000	-5,570,000	-8,338,000	-14,850,000	-13,550,000	-15,690,000	-11,000,000	-11,900,000	-14,900,000	-16,400,000	-17,300,000
2005	SF 390	Small Energy Producers	-2,900,000	-4,500,000	-5,500,000	-5,600,000	-5,600,000	-5,600,000	-5,600,000	-5,500,000	-5,500,000	-5,200,000	-5,200,000
2005	HF 186	2005 IRC Update	-9,200,000	-1,400,000	0	0	0	0	0	0	0	0	0
2005	HF 831	Seed Capital Funds	0	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	0	0
2005	HF 840	Newton Racetrack	-300,000	-410,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000
2005	HF 857	Enterprise Zone Housing Credits	-3,600,000	-3,600,000	-3,600,000	-3,000,000	-900,000	-900,000	-900,000	-900,000	-900,000	-900,000	-900,000
2005	HF 859	Cooperative Association Fees	2,450,000	0	2,450,000	0	2,450,000	0	2,450,000	0	2,450,000	0	0
2005	HF 882	Large Wind Production Tax Credit	923,000	-3,856,000	-3,856,000	-4,635,000	-3,536,000	-3,992,000	-4,463,000	-4,944,000	-5,435,000	-5,919,000	-6,402,000
2004	HF 2568	Comp. Health Assoc. Coverage	-540,000	-2,200,000	-3,900,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000
Total			\$ -72,911,000	\$ -120,294,000	\$ -149,736,000	\$ -199,314,000	\$ -237,829,000	\$ -227,454,000	\$ -243,623,000	\$ -271,756,000	\$ -272,955,000	\$ -280,355,000	\$ -282,014,000

IRC = Internal Revenue Code
UST = Underground Storage Tank

Attachment B
General Fund Future Impact of Enacted Law Changes
Incremental Impacts - From Attachment A, Current Year Impact Minus Previous Year Impact

Session	Act	Provision	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
2008	SF 2432	Real Estate Transfer Tax Shift	\$ 0	\$ -930,000	\$ -970,000	\$ -900,000	\$ -200,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2008	SF 2420	Time-21 Vehicle Fee Deduction	0	0	-1,000,000	-1,000,000	-700,000	0	0	0	0	0
2008	SF 2405	Wind Energy Expansion	0	3,519,000	-2,849,000	-923,000	-3,425,000	1,891,000	-248,000	-258,000	-266,000	-276,000
2008	HF 2700	Wage-Benefit Tax Credit	0	0	0	0	4,000,000	0	0	0	0	0
2008	HF 2700	Conservation Tax Credits	-300,000	-200,000	-300,000	-300,000	-300,000	0	0	0	0	0
2008	HF 2689	Renewable Fuels Credit	-105,000	-32,000	-101,000	-44,000	282,000	0	0	0	0	0
2008	HF 2687	Redevelopment Tax Credit	0	-300,000	-100,000	100,000	300,000	0	0	0	0	0
2008	HF 2555	Insurance Division Fees	260,000	300,000	0	0	0	0	0	0	0	0
2008	HF 2195	Enterprise Zone Prison Population	0	-129,000	-38,000	-39,000	-38,000	0	0	0	0	0
2008	SF 2428	Debt Collections	5,300,000	17,153,000	0	-15,200,000	0	0	0	0	0	0
2008	HF 2212	Smoke Ban-Other Impacts	1,800,000	0	0	0	0	0	0	0	0	0
2008	HF 2212	Smoke Ban-Cig/Sales Tax	-10,510,000	0	0	0	0	0	0	0	0	0
2008	SF 2123	IRC Update Fiscal Impact	-2,200,000	-2,300,000	5,375,000	0	0	0	0	0	0	0
2008	HF 2233	Microsoft Tax Exemption	-600,000	-1,400,000	-400,000	300,000	2,100,000	0	0	0	0	0
2007	SF 566	Historic Preservation Expansion	-1,800,000	-7,400,000	-5,600,000	1,500,000	0	0	0	0	-4,000,000	0
2007	SF 580	Tax Amnesty	-16,000,000	0	0	0	0	0	0	0	0	0
2007	SF 593	Court Costs	229,000	0	0	0	0	0	0	0	0	0
2007	SF 601	Private School Tuition Credit Expansion	-2,500,000	0	0	0	0	0	0	0	0	0
2007	SF 601	UST Fund Transfer	-3,000,000	0	0	0	0	0	0	0	0	0
2007	SF 601	Wage-Benefit Tax Credit	6,000,000	0	0	0	0	0	0	0	0	0
2007	HF 319	2007 IRC Update Fiscal Impact	6,200,000	6,900,000	0	0	0	0	0	0	0	0
2007	HF 648	Enterprise Zones, Significant Layoffs	-1,200,000	-1,700,000	-2,200,000	-2,600,000	-1,400,000	-900,000	-500,000	0	0	0
2007	HF 892	Film Promotion	-3,755,000	-1,616,000	-96,000	-118,000	0	0	0	0	0	0
2007	HF 912	Web Portal Sales Tax	-3,600,000	-9,100,000	-9,300,000	-9,300,000	31,300,000	0	0	0	0	0
2007	HF 912	Web Portal Sales Tax	-270,000	-333,000	-80,000	683,000	0	0	0	0	0	0
2006	SF 2147	Enterprise Zones, Location Projects	-540,000	0	910,000	590,000	0	0	0	0	0	0
2006	SF 2183	Enterprise Zones, Distribution Centers	-4,100,000	-4,200,000	-4,100,000	0	0	0	0	0	0	0
2006	SF 2268	Farm Asset Tax Credit	-346,000	-868,000	-226,000	-844,000	0	0	0	0	0	0
2006	SF 2390	Telecommunications Sales Tax	-365,000	-480,000	-550,000	-630,000	-615,000	0	0	0	0	0
2006	SF 2408	Social Security & Senior Filing Threshold	-3,588,000	-21,488,000	-14,931,000	-16,556,000	-18,737,000	-23,829,000	-23,654,000	0	0	0
2006	SF 2399	Small Wind Energy Expansion	-2,900,000	-1,600,000	-1,000,000	-100,000	0	0	0	100,000	0	0
2006	HF 2731	Pilot Project Tax Credit	-704,000	-780,000	-81,000	-83,000	2,854,000	0	0	0	0	0
2006	HF 2754	Renewable Fuel Incentives	-4,990,000	-2,768,000	-6,512,000	1,300,000	-2,140,000	4,690,000	-900,000	-3,000,000	-1,500,000	-900,000
2005	SF 390	Small Energy Producers	-1,600,000	-1,000,000	-100,000	0	0	0	100,000	0	300,000	0
2005	HF 186	2005 IRC Update	7,800,000	1,400,000	0	0	0	0	0	0	0	0
2005	HF 831	Seed Capital Funds	-1,000,000	0	0	0	0	0	0	0	1,000,000	0
2005	HF 840	Newton Racetrack	-110,000	-840,000	0	0	0	0	0	0	0	0
2005	HF 857	Enterprise Zone Housing Credits	0	0	600,000	2,100,000	0	0	0	0	0	0
2005	HF 859	Cooperative Association Fees	-2,450,000	2,450,000	-2,450,000	2,450,000	-2,450,000	2,450,000	-2,450,000	2,450,000	-2,450,000	0
2005	HF 882	Large Wind Production Tax Credit	-4,779,000	0	-779,000	1,099,000	-456,000	-471,000	-481,000	-491,000	-484,000	-483,000
2004	HF 2568	Comp Health Assoc. Coverage	-1,660,000	-1,700,000	-2,700,000	0	0	0	0	0	0	0
Total			\$ -47,383,000	\$ -29,442,000	\$ -49,578,000	\$ -38,515,000	\$ 10,375,000	\$ -16,169,000	\$ -28,133,000	\$ -1,199,000	\$ -7,400,000	\$ -1,659,000

IRC = Internal Revenue Code
UST = Underground Storage Tank